

Message Text

CONFIDENTIAL

PAGE 01 BANGKO 19565 180139Z

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INFO AMEMBASSY MOSCOW

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CINCPAC HONOLULU

C O N F I D E N T I A L BANGKOK 19565

E.O. 11652: GDS

TAGS: EEWT, ETRD, TH

SUBJ: REPEAL OF THAI STATE TRADING LAW

REF: A) BANGKOK A-200; B) BANGKOK 18804

1. THE PRESS REPORTS THE THAI CABINET AGREED ON SEPTEMBER 16, 1975, TO REPEAL THE STATE TRADING LAW WHICH WAS ADOPTED IN NOVEMBER 1974 MAINLY TO CONTROL THE ANTICIPATED GROWTH OF TRADE WITH THE PEOPLE'S REPUBLIC OF CHINA. THE LAW, HOWEVER, WAS MADE APPLICABLE TO ALL COMMUNIST STATES TO AVOID ANY APPEARANCE OF DISCRIMINATION AGAINST CHINA. SOME PRESS REPORTS ATTRIBUTE THE CABINET DECISION, WHICH WILL HAVE TO BE IMPLEMENTED BY LEGISLATION, TO PRESSURE FROM THE SOVIETS AND TO A SPECIFIC SOVIET THREAT TO ABROGATE THE THAI-SOVIET TRADE TREATY IF THE STATE TRADING LAW CONTINUED IN EFFECT. OTHER PRESS SOURCES DOWNPLAYED THE SOVIET ROLE IN THE REPEAL DECISION, BUT EVEN ONE
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 BANGKO 19565 180139Z

OF THESE SOURCES ADMITTED THAT THERE HAD BEEN STRONG SOVIET

OBJECTION TO THE LAW.

2. FROM ITS PASSAGE IN NOVEMBER 1974, SOVIET AND EAST EUROPEAN OFFICIALS IN BANGKOK HAVE BEEN CRITICAL OF THE STATE TRADING LAW AND CALLED IT DISCRIMINATORY AND IN RECENT MONTHS SOME EAST EUROPEAN TRADE OFFICERS HAVE ADMITTED THAT THE LAW HAD ADVERSELY AFFECTED THE VOLUME OF THEIR THAI TRADE. THE PRESS REPORTS STATE THAT THE CABINET HAS DECIDED TO REPLACE THE STATE TRADING COMMITTEE AND STATE TRADING CORPORATION WHICH WERE ESTABLISHED TO IMPLEMENT THE STATE TRADING CORPORATION WHICH WERE ESTABLISHED TO IMPLEMENT THE STATE TRADING LAW WITH AN INTERNATIONAL TRADE COMPANY WHICH WOULD SCREEN AND CONTROL THAI FOREIGN TRADE WITH ALL COUNTRIES. THE BANGKOK POST, HOWEVER, QUOTED PRIME MINISTER KHUKRIT PRAMOTE AS SAYING THAT THE STATE TRADING CORPORATION WOULD BE RETAINED TO HANDLE ALL GOVERNMENT-TO-GOVERNMENT TRADING FOR THE MINISTRY OF COMMERCE.

3. COMMENT: THE THAI DECISION TO SCRAP THE STATE TRADING LAW WAS UNEXPECTED EVEN THOUGH IT WAS KNOWN THAT THE SOVIETS AND EAST EUROPEANS HAD BEEN QUITE CRITICAL OF IT. THAI TRADE WITH THE SOVIETS AND EAST EUROPEANS HAS HELD UNTIL 1974 AT ABOUT ONE PERCENT OF THAI FOREIGN TRADE AND IT WAS EXPECTED THAT THIS TRADE WAS SUCH A SMALL PART OF TOTAL THAI FOREIGN TRADE THAT THE LAW'S PURPOSE OF CONTROLLING CHINESE ECONOMIC PENETRATION WOULD OUTWEIGH SOVIET OBJECTIONS. BUT TRADE WITH THE SOVIETS AND EAST EUROPEANS INCREASED IN 1974 TO 59.4 MILLION DOLLARS FROM 23.3 MILLION IN 1973. THE SOVIETS AND EAST EUROPEANS WERE UNDERSTANDABLY DISTURBED TO SEE THEIR TRADE PROGRESS FRUSTRATED BY BUREAUCRATIC RESTRAINTS ACTUALLY AIMED AT THE CHINESE. THUS, IN SPITE OF STATEMENTS BY UNIDENTIFIED GOVERNMENT SOURCES IN THE PRESS TO THE CONTRARY, WE HAVE NO DOUBT THAT IT WAS SOVIET PRESSURE WHICH BROUGHT ABOUT THE THAI DECISION TO REPEAL THE STATE TRADING LAW. BUT THAI INTERNAL SECURITY PROCEDURES ARE A CONTROVERSIAL SUBJECT AT THIS MOMENT, WITH THE REPEAL OF THE ANTI-COMMUNIST LAW AND ITS REPLACEMENT WITH A NEW SECURITY BILL AT ISSUE. THOSE WHO SUPPORT THE STATE TRADING LAW FOR SECURITY REASONS OR FROM VESTED ECONOMIC MOTIVES HAVE NOT YET BEEN HEARD FROM AND IT IS QUITE POSSIBLE THAT THE REPEAL OF THE STATE TRADING LAW MAY BECOME ENMESHED WITH THESE BROADER THAI INTERNAL SECURITY QUESTIONS AND WILL BE DELAYED AS A RESULT.

CONFIDENTIAL

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PAGE 03 BANGKO 19565 180139Z

4. ON THE OTHER HAND, THE GOVERNMENT WILL UNDOUBTEDLY ARGUE THAT WITH THE THAI ECONOMY SUFFERING FROM A SHORTAGE OF FOREIGN INVESTMENT, THE THAI WOULD MAINLY BE HURTING THEMSELVES BY CUTTING BACK ON A PROMISING AND EXPANDING AREA OF EXPORT TRADE. AND THE ARGUMENT MAY ALSO CARRY WEIGHT THAT THE EVEN-HANDEDNESS IN FOREIGN AFFAIRS NOW CLAIMED BY THE THAIS REQUIRES AN END TO DISCRIMINATORY TRADE PRACTICES AGAINST COMMUNIST

STATES.
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